

Exhibit 16

FINANCIAL OVERSIGHT & MANAGEMENT BOARD FOR PUERTO RICO



David A. Skeel, Jr.
Chair

Members
Andrew G. Biggs
Arthur J. González
Antonio L. Medina
John E. Nixon
Justin M. Peterson
Betty A. Rosa

Natalie A. Jaresko
Executive Director

BY ELECTRONIC MAIL

June 22, 2021

Honorable Pedro Pierluisi Urrutia
Governor of Puerto Rico

Honorable José Luis Dalmau
President of the Senate of Puerto Rico

Honorable Rafael Hernández
Speaker of the House of Representatives of Puerto Rico

Mr. Omar J. Marrero Díaz, Esq.
Executive Director
Puerto Rico Fiscal Agency and
Financial Advisory Authority

Dear Governor Pierluisi Urrutia, Senate President Dalmau, Speaker Hernández, and Mr. Marrero Díaz:

We write regarding Act 7-2021 (the “Act”), formerly known as House Bill 120 (“HB 120” or the “Bill”). While the Governor signed the Act, through AAFAF he also certified to the Oversight Board: “HB 120 is significantly inconsistent with the Certified Fiscal Plan.” As you know, the Oversight Board had previously informed the Government the Act is significantly inconsistent with the Certified Commonwealth Fiscal Plan (the “Fiscal Plan”) and would impair and defeat the purposes of PROMESA as determined by the Oversight Board, in violation of PROMESA §§ 108(a)(2), 204(a) and 207.¹

¹ HB 120 was the subject of numerous letters between the Oversight Board and the Legislature, including letters dated January 29, 2021, February 20, 2021, March 19, 2021, and March 25, 2021. Additionally, on June 3, 2021, the Oversight Board sent a letter to the Governor expressing its significant concerns regarding HB 120. All of the Oversight Board’s correspondence with the Legislature, the Governor, and AAFAF regarding HB-120 is available on its website: <https://oversightboard.pr.gov/documents/>.

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Additionally, AAFAF had previously advised a legislative committee considering HB 120 that it had several concerns with the Bill, including that it “is diametrically opposite to the public policy established in Law 106-207, which has allowed the payment of the pensions of [Puerto Rico’s] public servants during the past three years” and which was created to stave off “the humanitarian crisis that would have arisen if the payments to [] retirees were interrupted as a result of the lack of liquid assets of the Retirement System.” (February 3, 2021 letter, attached hereto as Exhibit 1) AAFAF’s letter also noted that because HB 120 prevents AAFAF from agreeing to a plan of adjustment that does not comply with HB 120’s terms, the Bill “basically prohibit[s]” AAFAF “from collaborating in preparation of fiscal plans, budgets, or adjustment plans on behalf of the Government of Puerto Rico” which “entail[s] handing over to the FOMB . . . total control over the destinies of Puerto Rico, without any representation of the democratically elected Government.” *Id.*

On June 18, 2021, AAFAF submitted the certification to the Oversight Board pursuant to PROMESA § 204(a) (the “Certification”) stating “that Act 7 is significantly inconsistent with the Certified Fiscal Plan.” (Certification attached hereto as Exhibit 2. AAFAF provided several reasons for its conclusion. For example, AAFAF observed “[t]he reformulation of Puerto Rico’s pension system, as stated in Act 7, is contrary to the provisions of the Fiscal Plan and the assumptions of the POA currently filed before the Title III Court. Accordingly, its provisions could be interpreted as contrary to several provisions of PROMESA and to the powers granted to [the] Oversight Board. See e.g., Sections 108(a)(2), 312 and 313 of PROMESA, 48 U.S.C. secs. 2128, 2172-73. In addition, Chapter 3 of Act 7 seeks to have debt of the Government of Puerto Rico issued, guaranteed, and/or modified without the approval of the Oversight Board pursuant to Section 207 of PROMESA.” (Certification at pages 2-3, attached hereto as Exhibit 2) In the Certification, AAFAF also notes that the Act’s requirements regarding FACSIR—the pension trust purportedly created by the Act—“are significantly inconsistent with the reform measures established [in] Section 20.2 of Chapter 20 of the Certified Fiscal [Plan].” (Certification at page 7)

While the Oversight Board appreciates the Act purports to provide better treatment for retirees, we must point out the Act’s intention is to strike down the Oversight Board’s agreement with the statutory retirees’ committee and the core settlement with financial creditors that enables Puerto Rico’s public debt to be reduced from \$35 billion to \$7 billion with a commensurate reduction in annual debt service. In sum, if the Act were implemented, it would eliminate the currently proposed plan of adjustment by eliminating the settlements with the retiree committee and the General Obligation bondholders. Moreover, the Act’s promised benefits to retirees are not financially attainable. Negotiations would recommence, creditors unpaid for five years would urge the Court to let them enforce their claims by grabbing the Commonwealth’s revenues, and the Oversight Board’s tenure would be extended. Thus, despite your effort to support retirees, the Act seriously harms retirees and the Commonwealth. Indeed, as funds build up in the TSA and the economy enjoys a brief upswing as a result of the federal stimulus packages and investment of

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federal reconstruction funding, cash accumulating, could benefit the financial creditors asserting priority claims under the Puerto Rico Constitution.

In response to the Certification, and in accordance with PROMESA § 204(a)(3)(C), the Oversight Board hereby notifies the Governor and the Legislature that AAFAF has certified Act 7 is significantly inconsistent with the Fiscal Plan. In addition, based on its own analysis of the fiscal impact of the Act, the Oversight Board agrees with AAFAF's conclusion that Act 7 is significantly inconsistent with the Fiscal Plan.

In addition, the Oversight Board confirms its prior determination (and notice to you) that the Act impairs and defeats the purposes of PROMESA in violation of PROMESA § 108(a). As such, the Act's implementation is statutorily barred by PROMESA section 108(a)(2) and no officer or employee of the Government may take any action to implement the Act.

Further, pursuant to PROMESA § 204(a)(4)(B), the Oversight Board hereby notifies the Governor and the Legislature that the Act cannot be corrected to eliminate the inconsistency, nor can the Government provide an explanation for the inconsistency that the Oversight Board will find reasonable and appropriate. As such, the Oversight Board directs the Legislature to repeal the Act immediately.

Please confirm by 12:00 PM AST on June 25, 2021 that Act 7 will not be implemented. Please also confirm by 12:00 PM AST on June 25, 2021 that the Legislature will undertake the repeal of Act 7 in its entirety. Please note that, absent confirmation of both of items, the Oversight Board will take any such action it deems necessary, consistent with PROMESA §§ 104(k), 108(a), 204 and 207, including seeking remedies and penalties to nullify Act 7 and to prevent the implementation and enforcement of the Act. We hope such action will be unnecessary.

We look forward to continuing to work together for the benefit of the people of Puerto Rico.

Sincerely,



Natalie A. Jaresko

CC: David A. Skeel, Jr.
Andrew G. Biggs
Arthur J. González
Antonio L. Medina
John E. Nixon
Justin M. Peterson
Betty A. Rosa